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*Safe Flight, Green Footprints
Starts with Us*

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Governance Framework

GRI 102-5, 102-10, 102-18



HIGHLIGHTS

DJSI / 6th

6th time selected for DJSI Emerging Markets Index

The only Taiwanese airline selected for DJSI Emerging Markets for six consecutive years and ranked in 2nd place among the world's airlines.



5th time selected for Taiwan EMP 99 Index and Taiwan HC100 Index

Selected in the Taiwan Employment Creation 99 Index and the Taiwan High Compensation 100 Index for five consecutive years.

FTSE / 6th

6th time selected for FTSE4Good Index Series

Selected in the FTSE4Good Index Series for six consecutive years.

FTSE
TIP Taiwan / 3rd

3rd time selected for FTSE4Good TIP Taiwan ESG Index

Selected in the FTSE4Good TIP Taiwan ESG Index for the third time.



Taiwan Ratings revised outlook to “stable”

The global aviation industry faced severe challenges during the pandemic and the credit ratings of most airline companies were downgraded. However, CAL has maintained rapid growth in cargo services and stable prospects and Taiwan Ratings revised CAL's outlook from “negative” to “stable” in October 2021 and confirmed CAL's long-term and short-term credit ratings as “twBBB+/twA-2”.

Yearbook / 5th

5th time selected for the Sustainability Yearbook

CAL became the only airline company in Taiwan that was selected for the Sustainability Yearbook for the 5th time in 2021.



6%-20%

Top 6%-20% of TWSE / TPEX listed companies

Selected as the top 6%-20% of the excellent corporation award in the Seventh Corporate Governance Review.

TCSA / 8th

8th time in TCSA Award

CAL won the Taiwan Corporate Sustainability Award for the 8th consecutive year and won the Platinum Award in the Transportation Industry for the Sustainability Report for 2021.

GCSA / 3rd

3rd time in GCSA Award

CAL won the Sustainability Reporting Award for the third time and won the Gold Award in 2021.

Board of Directors

As the highest governing organization at CAL, the Board of Directors is responsible for supervising and resolving crucial issues, guiding management, and formulating and complying with policies and rules in accordance with laws and regulations and with the powers granted by the shareholders' meetings. The composition of the Board of Directors is diverse; it is based on talent, regardless of gender, nationality, or race. A total of eleven directors have been elected to the 21st Board of Directors, including three independent directors, two of whom are female, with good qualities and expertise or experience in the management of international companies. Directors are elected for three-year terms (the current term was from June 27, 2018 to June 26, 2021, but was extended to August 12, 2021 due to the COVID-19 pandemic). CAL convenes board meetings at least five times per year and may convene extraordinary meetings when necessary. On March 11, 2021, the China Aviation Development Foundation appointed Mr. Kao Shing-Hwang as a director of the Company, thus increasing the number of directors of the 21st Board of Directors to 12. The 22nd Board of Directors has 13 directors, including 3 independent directors (one of whom is an independent director undertaking public welfare and one is a female independent director). Their term of office is 3 years (from August 12, 2021 to August 11, 2024).

As of January 2022, Shareholders more than 5% of CAL's shares are as follow:

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Major Shareholder	Contributions to Taiwan	Percentage of Shares Held
China Aviation Development Foundation	Striving for the development of Taiwan's aviation business, national traffic construction, research, and event promotion	31.38%
National Development Fund, Executive Yuan	Accelerating industrial innovation, economic transformation, and national development	8.73%

Note: For experience / education, concurrent posts, expertise, field of experience, compliance of independence, and the operations of the Board of Directors, please refer to the [CAL's Annual Report](#).

Functional Committees of the Board

The Board of Directors has three functional committees: the Remuneration Committee, Audit Committee, and Risk Management Committee. These help the Board of Directors with its supervision and guidance when meetings are convened; in accordance with the respective organizational regulations adopted by the Board of Directors, these committees exercise the powers granted them by law to review and discuss relevant issues, then regularly submit their conclusions and recommendations to the Board of Directors for resolution. Based on the powers specified in the CAL's Remuneration Committee Charter, the Remuneration Committee periodically reviews performance evaluations and remuneration policies, systems, standards, and structures for directors and managerial officers.

Functional Committees



Audit Committee

Frequency of Meetings : At least once every quarter


Composed of all independent directors and is responsible for helping the Board of Directors perform its duties, including supervision of fair presentation of CAL's financial statements, selection (dismissal), independence and performance of CPAs, implementation of internal controls, and compliance with corporate laws and regulations, as well as other statutory tasks.



Risk Management Committee

Frequency of Meetings : Once every quarter

Responsible for helping the Board of Directors review the establishment, implementation, and countermeasures of CAL's overall strategy for risk management in terms of finance, economy, flight safety, personal data protection, and information security.




Remuneration Committee

Frequency of Meetings : At least twice every year

The committee regularly reviews the overall benefit and compensation policy for directors and executives. It also conducts board performance evaluation once a year. In addition, it has a qualified external independent institution or external expert team conduct the evaluation once every three years (last time being in 2020). CAL increases the long term value of the management team to the company through performance evaluation and remuneration systems. The approach creates a sound corporate governance system, and helps CAL achieve sustainability goals.

Refer to **CAL annual report for director and executive remuneration**



CAL's Remuneration Committee Charter

General Audit Office

To enforce corporate sustainability, the General Audit Office is responsible for auditing the corporate governance system to prevent fraudulent activities and corruption. The results of audits are continually followed and required to be corrected by the given time limit. The audited cases in 2021 are summarized below by category. All of the cases have been corrected and reported to the General Audit Office for approval.

Audited Cases in 2021

Type of Cases	Number of Cases Audited	Number of Comments	Number of Corrections
Head Office	16	99	99
Branch	13	70	70
Subsidiary	12	61	61
Transaction in Derivative Products	12	None, all complying with regulations	-
Procedures for Lending Funds and Making Endorsements / Guarantees	4	None, all complying with regulations	-



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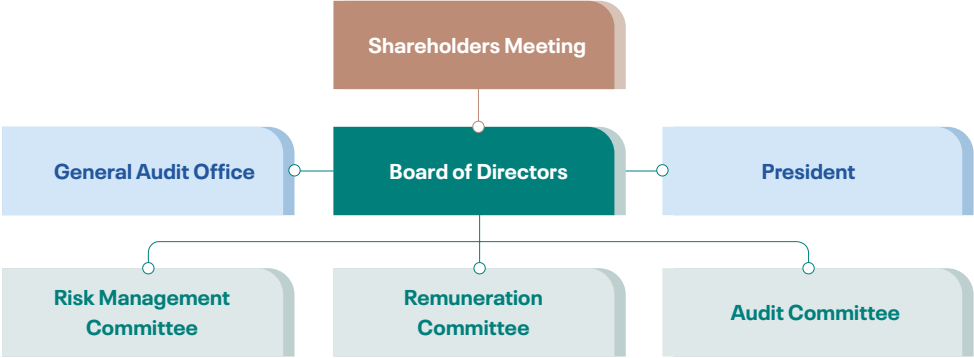
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Every year, the General Audit Office compiles an "overall evaluation" based on self assessments performed by individual departments and improvement of errors and irregularities identified in the annual audits. The overall evaluation is used to verify the effectiveness of the internal control system, and provides the basis for the "Declaration of the Internal Control System", which will be submitted to the board of directors for review. The General Audit Office has also established a whistle-blowing mechanism to report fraudulent activities and unethical conduct. If it is found that an employee of CAL or its affiliates is misusing his / her position to take bribes or behave in violation of his / her duties for the purpose of obtaining unlawful benefits for himself / herself or others, thereby causing losses to CAL's property or reputation, an employee or an external partner (e.g., a supplier) is encouraged to report this matter through the management mechanism or through the independent mailbox (auditor@china-airlines.com) published on the website (Stakeholder Contact-Business Conduct) and in the Annual Report (Corporate Governance Report-Corporate Governance).

Corporate Governance Framework



3-2 Operational Achievements

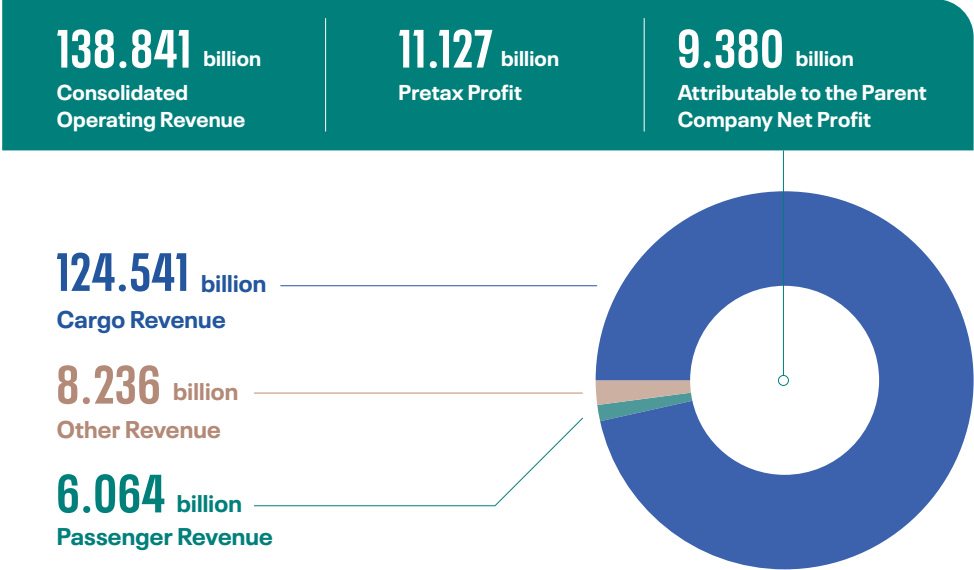
GRI 201-1

The global passenger air traffic has been affected by new variants of the COVID-19 virus and countries continued to maintain tightened border controls, which continued to exert significant impact on the passenger transport market of the aviation industry. As the overall passenger transportation market has not shown signs of recovery, the Company maintains its business strategy of "focusing on the cargo market while developing the passenger market". The fourth quarter was the traditional peak season for cargo and shopping season in Europe and the Americas during the holidays. The congestion in marine shipping has not yet subsided and these factors have increased the demand for air cargo services which outpaced the supply. It increased the market demand for air cargo capacity and continued to push up freight rates. The Company used the 21 cargo aircrafts, supplemented by belly cargo capacity, to integrate the passenger and cargo network and provide a comprehensive plan that actively sought opportunities for providing cargo services. As a result, cargo revenue in 2021 reached a record high. Consolidated operating revenue in 2021 was TWD 138.841 billion (including revenue from passenger transport totaling TWD 6.064 billion, cargo revenue totaling TWD 124.541 billion, and other revenue totaling TWD 8.236 billion). Consolidated operating profit was TWD 14.968 billion; consolidated net profit before tax was TWD 11.127 billion, and final profit after tax attributable to the parent company was TWD 9.38 billion.

Refer to Financial Performance in the Appendix for More Details

Operational Achievements

(Unit: TWD)



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Consolidated Financial Statement

(Unit: TWD billion)





Item	2018	2019	2020	2021
Passenger Revenue	108.35	111.41	25.704	6.064
Cargo Revenue	49.85	43.79	81.918	124.541
Other Revenue	12.52	13.24	7.628	8.236
Consolidated Operating Revenue	170.71	168.44	115.25	138.841
Pretax Profit	3.08	-0.097	-0.654	11.127

Individual Financial Statement

(Unit: TWD billion)

Item	2018	2019	2020	2021
Operating Revenue	150.26	146.37	106.327	132.14
Operating Cost	137.62	135.01	95.19	106.23
Operating Expense	10.80	11.28	6.252	6.59
Income Tax Expense (Interest)	0.53	0.01	0.031	2.594
Salary Expenses	15.01	14.48	12.892	16.188
An Analysis of Employee Benefits Expense by Function	21.55	21.97	18.931	22.596
Post-employment Benefits	1.69	1.62	1.587	1.527

2021 Performance of International Passenger and Cargo Transport

Routes	Company	Number of Departures (Flight)	Passenger Transport					Cargo Transport				
			Passengers (Person)	Market Share (%)	Revenue Passenger Kilometers (RPK)	Available Seat Kilometers (ASK)	Passenger Load Factor (%)	Tonnage (Metric ton)	Market Share (%)	Freight Revenue Ton Kilometers (FRTK)	Freight Available Ton Kilometers (FATK)	Freight Load Factor (%)
International		41,578	153,591	29.5	631,678,840	3,804,476,098	16.6	1,766,399	66.7	7,598,553,636	10,150,673,604	74.9
		800	18,469	3.5	6,120,415	79,249,261	7.7	10,304	0.4	3,424,832	10,378,280	33.0
		46	2,757	0.5	4,918,332	13,165,020	37.4	63	0.0	88,796	211,096	42.1
	CAL Group	42,424	174,817	33.6	642,717,587	3,896,890,379	16.5	1,776,766	67.1	7,602,067,264	10,161,262,980	74.8
Domestic		18,107	1,113,788	34.1	460,941,717	668,321,131	69.0	11,216	33.7	1,512,238	7,367,415	20.5
Global	CAL Group	60,531	1,288,605	34.0	1,103,659,304	4,565,211,510	24.2	1,787,982	66.7	7,603,579,502	10,168,630,395	74.8

Source: "Civil Air Transport Statistics (Table 18 Overview of Global Passenger and Cargo Transport on Global Routes by Domestic Airlines)" by CAA of MOTC.

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Regulatory Compliance

GRI 102-16, 103-1, 103-2, 103-3, 205-2, 412-2

Internal Regulations and Code of Conduct

Regulatory compliance and integrity are the basis of business management. CAL shapes its corporate culture and values through the formulation of internal regulations and codes of conduct that emphasize business integrity. To establish sound corporate governance as its business foundation, CAL has set the Code of Corporate Governance, the Board Directors Code of Ethical Conduct, Executive Code of Ethical Conduct, the Procedure for Handling Material Inside Information, the Ethical Corporate Management Best Practice Principles, and the Procedures for Ethical Management and Guidelines for Conduct. CAL fully complies with related laws and regulations and is committed to six major principles: protecting shareholders' rights and interests, strengthening Board of Directors functions, adhering to regulations concerning the Board, adopting decision-making procedures of the Board (including avoidance of conflicts of interests), respecting stakeholders' rights and interests, and enhancing information transparency. In accordance with Article 9 of the Procedures for Ethical Management and Guidelines for Conduct, CAL takes a politically neutral stance and has never provided political donations. In addition, the Board of Directors Code of Ethical Conduct (12 directors have completed the course on corporate anti-corruption and fraud cases and prevention practices, with a completion rate of 92%) and Employee Code of Conduct have been formulated to ensure that the Board of Directors and employees behave ethically and comply with anti-corruption laws. In 2017, CAL launched a three-year awareness-raising program to strengthen our corporate sustainability DNA and added the new CAL Group Code of Conduct and implemented related education and training (training details for 2017-2019 as shown under 3-1-2 Compliance in the [2019 CSR Report](#)). In 2020, CAL completed training for all 211 personnel who had not yet completed training, and conducted training for 115 new personnel (Note 1), with a total completion rate of 100%. We trained 48 new personnel in 2021, with a total completion rate of 100% (Note 2).

We provided training on the Code of Conduct to affiliates in 2018. We also organized training on the Code of Conduct and the corporate sustainability vision to promote CSR awareness in 2020 for 5,140 trainees. We have attained our medium-term sustainability goal of providing more than 2 CSR training courses for affiliates by 2025. The Company will continue to promote related training programs in the future. As suppliers are important partners of the Company, we requested them to sign and implement the Supplier Code of Conduct (including compliance with laws and regulations and anti-corruption regulations).

Note 1: Trainees include separated employees.
Note 2: Only applicable to CAL.

In recent years, the Company has continued to strengthen its compliance with the Fair Trade Act and antitrust regulations. The Company used a major international antitrust case as an example to remind its management and all business practitioners to remain vigilant, and the Company also held physical education training in 2020 on “Compliance with the Fair Trade Act” and invited the Fair Trade Commission, the competent authority, to promote the concept of compliance with the Fair Trade Act to our head office, branches, and affiliated companies. In addition, since 2013, front-line business unit supervisors are required to complete an Antitrust Audit Checklist, which is included in the auditor's random checks. In 2021, we conducted E-learning on antitrust compliance for personnel of the passenger units; for personnel of the cargo units, the Cargo Division instructed all stations across all lines to promote the idea of not negotiating with or inappropriately collaborating with competitors to avoid the risk of breaking the law. There were no antitrust-related penalties in 2021.

List of Internal Regulations

Item	Regulating Object(s)	Objective
Code of Corporate Governance	CAL and its subsidiaries	To establish a sound corporate governance system
Ethical Corporate Management Best Practice Principles	Directors, managers, employees, and appointees of CAL and those having substantial control	To strengthen CAL's corporate culture that values business integrity and to improve the business environment for sustainable development
Procedures for Ethical Management and Guidelines for Conduct	Directors, managers, employees, and appointees of CAL and its subsidiaries and those having substantial control	To implement the policy of business integrity, to actively prevent fraudulent conduct, and to regulate matters that should be taken care of by employees when performing business
Procedure for Handling Material Inside Information	Directors, managers, and employees of CAL and those knowing CAL's material inside information due to their identity, occupation or control	To avoid improper disclosure of information and to ensure the consistency and correctness of information published by CAL
Board Directors Code of Ethical Conduct	All directors	To regulate the ethics and conduct of directors when performing their duties in pursuit of CAL's maximum benefits and sustainable development

Item	Regulating Object(s)	Objective
Executive Code of Ethical Conduct	CAL's representative (Chairman) and managers (including President, Senior Vice President and equivalents, head of Finance Department, head of Accounting Department, and officers managing affairs and having the right to sign on behalf of the Company)	To guide executives to follow the ethics and conduct and to help stakeholders better understand the Company's code of ethics
Employee Code of Conduct	All employees	To guide employees to follow the codes of conduct covering anti-corruption in the workplace
CAL Code of Conduct	Employees and suppliers of the Company and its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company	To guide the CAL Group to follow related laws and regulations and shape a corporate culture that creates sustainable value for stakeholders
Supplier Code of Conduct	All suppliers and contractors	To achieve the goal of sustainable supply chain management, so as to increase the sustainability of a large number of suppliers

3-4 Risk Management

GRI 102-15

3-4-1 Risk Management Mechanisms

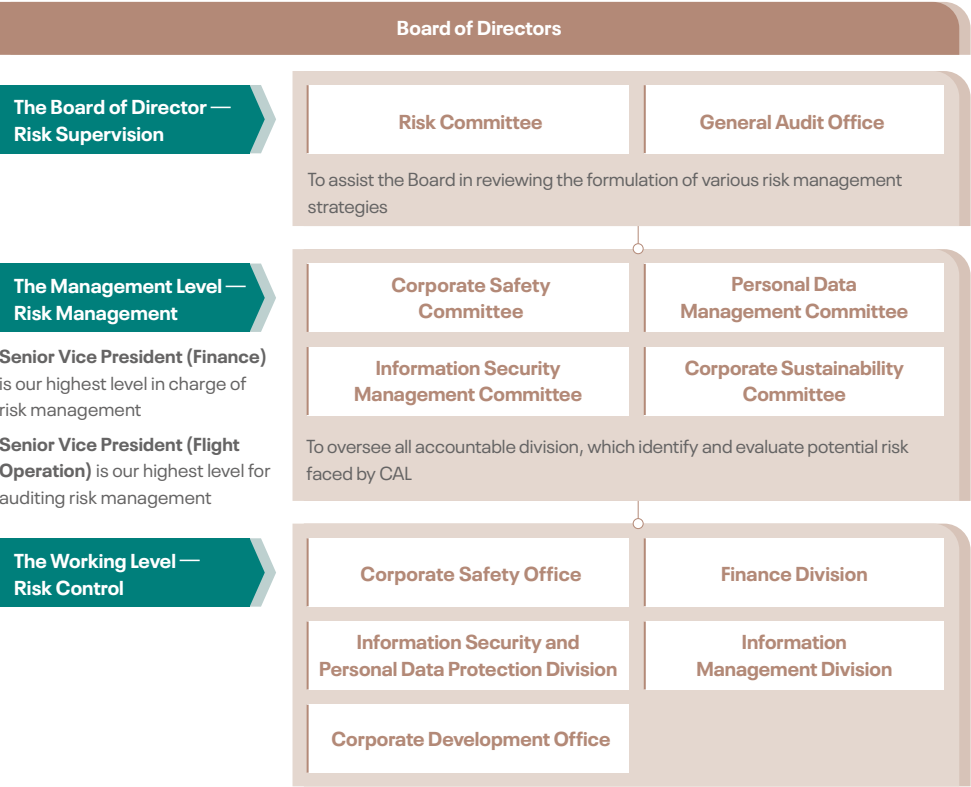
GRI 102-11

Risk Governance and Structure

Risk management plays a key role in a company's sustainability. Given the growing number of new forms of risk, CAL has responded by creating a risk management committee under its Board of Directors to hold regular meetings. The General Audit Office sits on the Risk Committee and is responsible for assisting the Board of Directors in reviewing the formulation and execution of the company's risk management strategies and related response measures. The committee also

requires subordinate departments to manage major risks. The Board of Directors also invites external experts or academics to provide 6 hours of relevant advanced courses for the directors each year. On August 12, 2021, a lecture was given to the directors on “Corporate Anti-Corruption and Fraud Cases and Prevention Practices” (12 directors attended, with a 92% training rate). On August 26, 2021, a lecture was given to the directors on “Business Strategies and Corporate Governance in Response to World Unsustainable Risks from the Perspective of COVID-19”. Furthermore, security and operating risks are cross-departmental operational risks that should be handled on the management level. We have created the Corporate Security Committee, the Corporate Sustainability Committee, the Personal Information Management Committee, and Information Security Promotion Task Force under the President. The Working level responsible departments such as Corporate Safety Office, Finance Division, Information Security and Personal Data Protection Division, Information Management Division and Corporate Development Office regularly identify and assess potential risks in the company, and devise countermeasures before presenting the results to the appropriate committees and meetings. The senior vice president of finance of the President’s Office is the top manager responsible for risk management operations, and the senior vice president of flight operations of the President’s Office is the top managerial-level auditor in risk management operations.

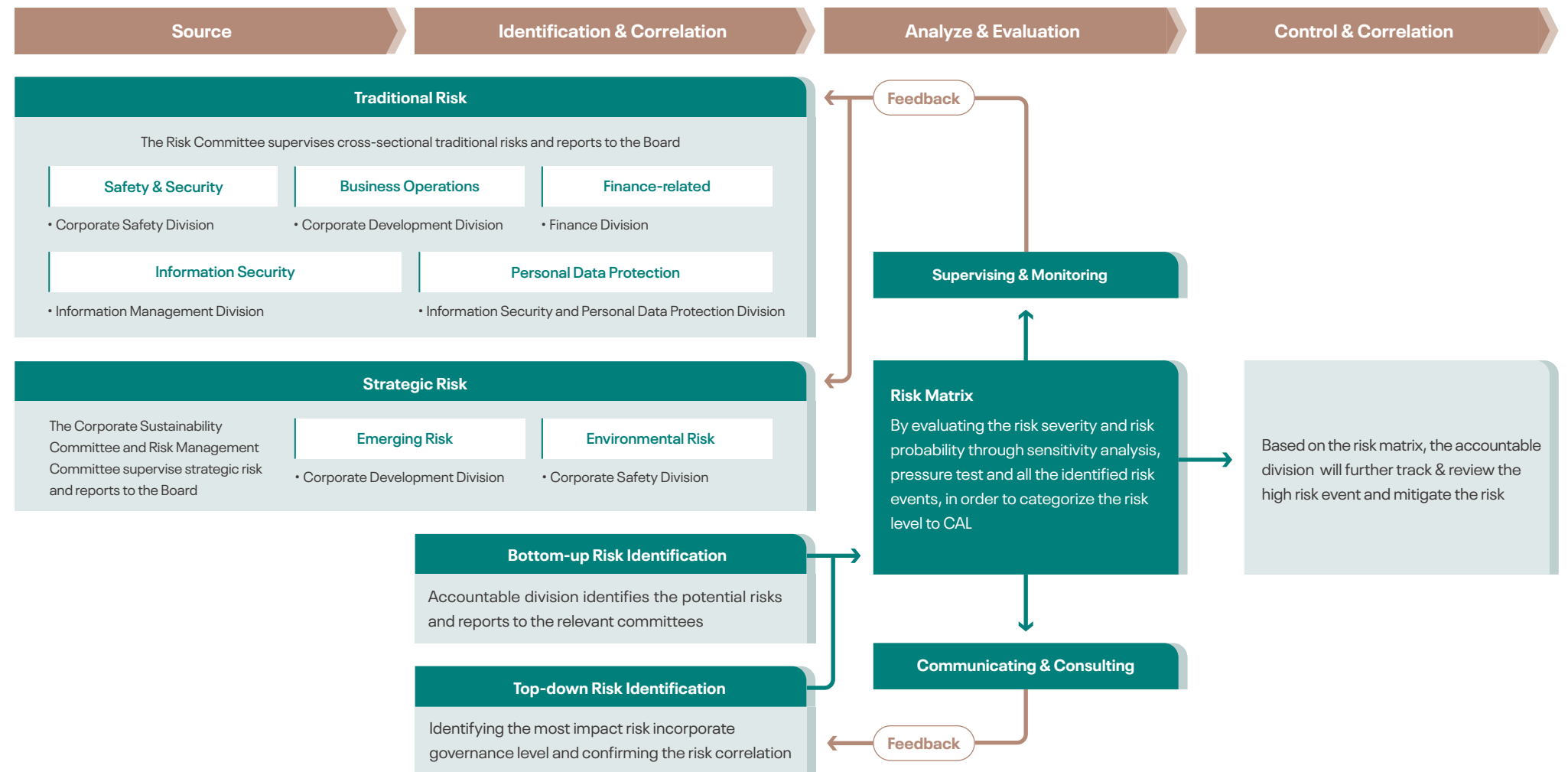
CAL Risk Governance and Management Chart



Enterprise Risk Management Framework and Procedures

CAL's risk management framework complies with the framework of Enterprise Risk Management (ERM), where a multi-level organizational approach is adopted to manage and control the overall risks of CAL. The framework emphasizes the inter-correlations between different risks to reduce the overall impact. Following the materiality principle, the CAL ERM framework identifies traditional risks and risks of medium / long-term strategies. All risk impacts and countermeasures are analyzed and proposed through event identification, risk analysis, risk assessment, and risk control, and then followed up and reviewed by the Risk Management Committee and the Corporate Sustainability Committee. CAL has implemented effective accounting and internal audit systems. The internal control system consists of five elements, which are the control environment, risk assessment, control process, information and communication, and supervision procedure. To evaluate the internal control system and the effectiveness of its execution, CAL devises risk-based annual audit plans every year. The General Audit Office conducts regular and ad hoc audits in order to enforce ethical corporate management, reduce related risks to an acceptable level, and prevent corruption and fraud.

CAL ERM Model and Procedure



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3-4-2 Risk Identification and Countermeasures

CAL manages risks with consideration of the business environment and daily operations in the aviation industry. Risk incidents have different impacts on business operations, in terms of their regions, degrees, and timeliness; risk incidents fall into certain categories and periods of time. If risks are monitored by a single mechanism, doing so may compromise the risk control results. In view of this, CAL divides risk sources by medium-term / long-term strategic risks and traditional risks, and then monitors the risks through the existing Business Strategy Management and Annual Business Plan / Operational Risk Management.

Risk Management Analysis




Level of Risk: **Traditional Risks**

Short-term Business or Operational Impact

Less than One Year

Annual Business Plan / Operational Risk Management (reported by the Risk Management Committee)	
Monitoring Mechanisms	
Risk Identification	Review internal and external environments and identify regular risk incidents that may have short-term impacts on business operations
Risk Analysis	Analyze the impact of risk incidents on business operations in terms of two aspects: Importance to Stakeholders (impact on society and economy / aviation industry; correlation with CAL or relevant departments); and Impact on CAL (impact on finances, operations, or sales; possibility of violations or fines; impact on corporate brand or reputation)
Risk Assessment	Create an operational risk matrix based on two risk analysis aspects, to assess degree of risk for each incident
Risk Control	Develop countermeasures to mitigate impact of high-risk incidents on business operations

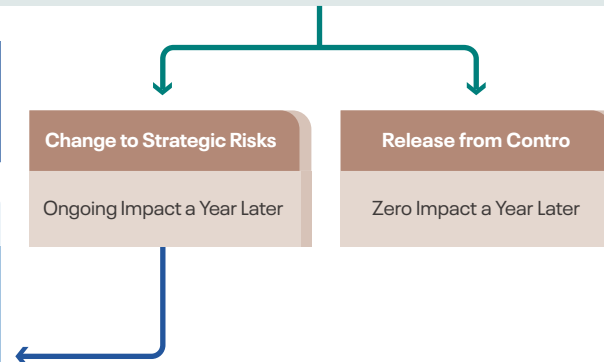


Level of Risk: **Medium-term / Long-term Strategic Risks**

Medium-term / Long-term Strategic or Structural Impact

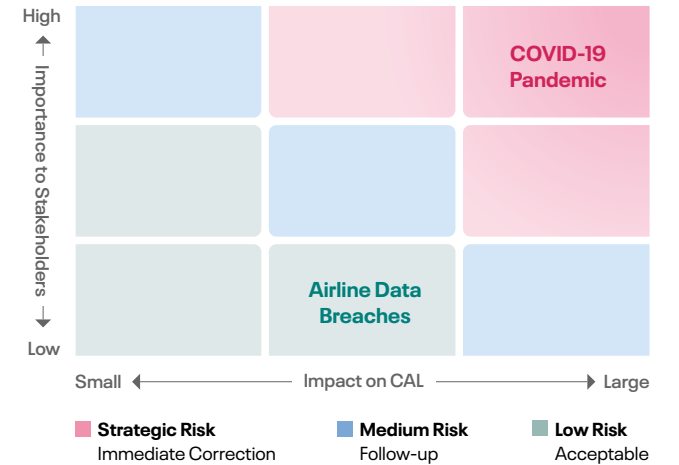
More than One Year

Business Strategy Management
Monitoring Mechanisms
1. Collect industry information, such as internal and external forecasts on market trends and competitor dynamics, every three to five years; conduct SWOT analysis
2. Develop the company vision, mission, and medium-term/long-term strategies, based on the results of SWOT analysis



CAL has established an emerging risk identification process, completed a risk matrix for emerging risks, regularly conducted risk assessment and develop countermeasures to mitigate the impact of emerging risks in the aviation industry.

Emerging Risk Matrix



Traditional Risks

Traditional risks refer to short-term risk incidents that have an impact on business operations for less than one year and can be solved in a short period of time. Traditional risks are divided into safety, operational, financial, personal data protection, and information security, and are managed with the goals of mitigating risks, strengthening resilience to crises, protecting stakeholders' interests, and enhancing corporate sustainability.

1. Safety Risk Management

Refer to **2-1 Trust**

Safety is the foundation of the aviation industry. Customer trust can only be earned by having an outstanding record of flight safety. Based on the Safety Management System (SMS) and the procedures for safety risk management, the Corporate Safety Office reviews and evaluates internal and external operational risks with respect to flight operations, maintenance, cabin services, and ground operations, then proposes corrective measures.



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2. Business Operational Risk Management

Refer to 1-4-1 Analysis of Business Environment in the Aviation Industry

The aviation industry faces an ever-changing business environment. Apart from major political and economic turmoil, internal and external contingencies may also have considerable impact on CAL. The Corporate Development Office analyzes potential risk incidents that may have an impact on business operations, and develops concrete countermeasures based on the analysis results in order to reduce risks' impact on the Business Strategies and on the Annual Business Plan.

3. Financial Risk Management

Refer to 1-4-1 Analysis of Business Environment in the Aviation Industry

Economic and financial situations at home and abroad can also affect CAL's business results. Interest rates, exchange rates, inflation, and fuel represent the major costs to airlines; such costs are very sensitive to external factors and can become quite volatile. Therefore, the Finance Division confines these major costs within a certain range using financial hedging instruments, monitors financial risks on a regular basis, and develops relevant strategies and measures to achieve the goals of financial risk management.

4. Personal Data Protection Risk Management

Refer to 2-1-5 Privacy Management

In recent years, increased awareness regarding privacy and personal data security has made personal data protection a critical focus in business management, both in Taiwan and overseas. To enhance the Company's personal information management capabilities, we have established a Data Protection Officer (DPO). In 2019, we established an Information Security and Personal Data Protection Division as well as a Personal Information Management System to implement, operate, monitor, review, maintain, and improve our personal information protection objectives and policies. The goal is to properly implement our personal information protection management system, strengthen our ability to respond to personal information incidents, and reduce the risk of personal information risks to maintain customers' trust.

5. Information Security Risk Management

Refer to 2-1-4 Information Security Management

CAL has further strengthened its data security framework and management system, continuing to refine the multi-layer protection mechanism, personnel education and training, social engineering drills and emergency response drills to raise employees' awareness of data security and establish guidelines that comply with laws and regulations and international data security standards. We also integrate the objective results and threat information from third-party verification to reduce overall information security risks.

Mid-term / Long-term Strategic Risks

Medium-term / long-term strategic risks refer to risk incidents that have a strategic or structural impact on business operations for more than one year, and which cannot be solved in a short period of time. CAL reviews and analyzes its market position and collects industry information, such as internal and external forecasts on market trends and competitor dynamics, every three to five years, then conducts SWOT analysis, and develops the company vision, mission, and medium-term / long-term strategies based on the analysis results.

1. Environmental Risk Management

Recognizing the direct impact and importance of climate issues on the aviation industry, CAL has set three objectives in flight operations and ground operations in response to the voluntary carbon reduction initiatives of the International Civil Aviation Organization (ICAO), the International Air Transport Association (IATA), and "the Civil Aeronautics Administration (CAA)" of the Republic of China (Taiwan). In 2018, CAL further established the Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD is in charge of identifying risks and opportunities, as well as strengthening company-wide carbon management and adaptation to climate change.

2. Emerging Risk Management

The Global Risks Report published by the World Economic Forum (WEF) every January divides risks into five categories: economic, environmental, geopolitical, social, and technological. New risk categories arising from the rapid development of emerging technologies, climate, demographic changes, information security, and cyber attacks have increased, along with gradually increasing likelihoods of such risk incidents. Therefore, CAL has incorporated these identified emerging risks within the scope of risk management, reviews emerging risks on a regular basis, and develops countermeasures.

Impact of the COVID-19 Pandemic on the Global Aviation Industry

Refer to COVID-19 Special Column

The COVID-19 pandemic broke out in December 2019 and as of December 31, 2021, has resulted in more than 288 million confirmed cases and nearly 5.44 million deaths (current two-dose vaccine coverage: 49.3%). As the COVID-19 pandemic continues to spread, pandemic prevention and border control measures adopted by different countries are having a huge impact on politics, economics, trade, finance, and employment. Countries are continuing to increase vaccine coverage and starting to attempt to coexist with the virus. The aviation industry has been hard hit by the pandemic, with airline RPK taking a nose-dive. The primary goal of the aviation industry is to "fight against pandemic to survive", to "prioritize pandemic prevention" to build a comprehensive pandemic prevention network, and to launch the "Safe Flight Plan" to enhance passenger health and airline hygiene and safety. The Company has flexibly adjusted its ASK to increase its share of the cargo market, and has implemented cost control measures and striven for cash flow and relief to stabilize its financial position in order to revive its operating capacity.



Countermeasures: Each quarter, emerging risks are regularly reviewed and risk response measures are established by the Board of Directors Risk Committee meetings.



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Airline Data Breaches

In recent years, increased awareness regarding privacy and personal data security has made personal data protection a critical focus in business management, both in Taiwan and overseas. Since the European Union's General Data Protection Regulations (GDPR) came into force in 2018, astronomical fines totaling over 100 million euros have been levied. CAL continuously improves our information security governance system and strengthens protection capabilities to comply with domestic and foreign information security laws and regulations. In addition to regularly issuing notices related to personal information protection in response to new international laws and regulations, we also offer personal information protection-related training courses for supervisors to strengthen their knowledge of data protection and better protect personal information and customer privacy. British Airways (BA) had security breaches in its website and smartphone app, which resulted in hackers stealing over 500,000 passengers’ data. For this, BA was fined £183 million (TWD 6.4 billion), or 1.5% of its annual revenue in 2018, by the UK's Information Commissioner's Office (ICO). The ICO announced on October 16, 2020, that the fine was reduced to £20 million (TWD\$760 million), taking into account British Airways’ subsequent cooperation and the impact of the COVID-19 outbreak on operations.

 **Countermeasures:** Starting from 2022, CAL will gradually introduce the Personal Information Management System (PIMS) verification and conduct personal information re-checking for units with relatively large discrepancies in personal information protection operations in the 2021 audits. We will also continue to conduct domestic and overseas personal information audits and personal information checks for foreign branches.

Geopolitical Risks Intensify as International Financial Situation Remains Unclear

As the global economy continues to recover, the International Monetary Fund (IMF) estimated that the global economy would grow 5.9% in 2021 and 4.4% in 2022. The IMF estimates that the cumulative loss to the global economy due to the COVID-19 pandemic will reach US\$13.8 trillion by 2024. The economic outlook will be more risky due to factors such as the pandemic, supply chain disruptions, labor shortages, rising energy prices, inflation, interest rate hikes, and shrinking balance sheet. Coupled with differences in the speed of vaccination and monetary and fiscal policies across countries, economic divergences will become more pronounced. In addition, trade friction between the U.S. and China continues, and the derived political, military, technological, and economic issues remain unsettled, and may indirectly lead to geopolitical tensions across the Taiwan Strait. This may affect the export of Taiwan’s semiconductor and electronics industries. Under the trade war and China’s dual control policy on energy consumption (electricity and production restrictions), in order to avoid additional costs after the implementation of new tariffs or related regulations, China’s manufacturing industry will accelerate its relocation to Southeast Asia, East Asia or back to Taiwan, continuing the trend of global supply chain restructuring after the US-China trade war.

 **Countermeasures:** CAL has long cultivated the Southeast Asia market and has a comprehensive passenger and cargo network. We will pay close attention to market changes and actively expand our Southeast Asian network to expand the hub effect of regional routes and fully play our role as a transfer hub in Taiwan.